

OLL 83-2073/4
19 September 1983

MEMORANDUM FOR THE RECORD

SUBJECT: Federal Employees Retirement Contribution
Temporary Adjustment Act of 1983

REFERENCE: A. MFR, Senate Committee On Governmental Affairs
Hearing on Retirement, OLL 83-2073/2 dated
13 September 1983

B. MFR, Same Subject, OLL 83-2073/3 dated
15 September 1983

1. The staff of the Subcommittee on Civil Service, Post Office, and General Services, Senate Committee on Governmental Affairs, has prepared its first draft of a bill concerning retirement system coverage and associated payroll withholdings for new employees hired 1 January 1984 or later. This first draft of the bill will be rewritten at least once, and I will pick up the rewritten bill on Tuesday, 20 September 1983.


2. Subcommittee staff, in the person of Mrs. K. Frances Dolan, advises that the attached draft legislation, entitled "Federal Employees Retirement Contribution Temporary Adjustment Act of 1983," accomplishes the following:

- it establishes a temporary retirement system for Federal employees hired during the period 1 January 1984 through 31 December 1985;
- this temporary retirement system has a two-year life (1 January 1984 through 31 December 1985);
- the temporary system will provide all Social Security benefits, plus the death and disability benefits of the Civil Service Retirement and Disability System (CSRDS)--which, I am told, are the only CSRDS benefits available prior to five years' CSRDS membership;

- the employee will pay full Social Security withholding into the Social Security fund, as will each employing agency;
- the employee will pay 1.3% of base pay (for no reason other than equity purposes) into the CSRDS, and the employing agency will make a full 7% payment into the CSRDS fund;
- in addition to its 7% payment into the CSRDS fund, each employing agency will make up the difference between the employee's normal 7% contribution and the reduced 1.3% contribution (a net additional payment of 5.7% of each employee's base pay);
- this additional 5.7% of each employee's base pay will be amortized over a 30-year period--and, hopefully, to be accomplished via a budget transfer which will be transparent to employing agencies;
- all earned service achieved under this interim system will be directly transferred to any new retirement system that may become effective 1 January 1986, without the requirement for additional retroactive employee contributions into any new retirement system enacted to be effective 1 January 1986.

3. Senator Ted Stevens (R., AL) plans to incorporate this bill into the full Committee on Governmental Affairs (GAC) report that itself will become the Governmental Affairs amendment to the 1984 Budget Reconciliation Bill. The GAC amendment, incorporating all budget savings called for earlier this year in the joint budget resolution, will be reported back to the Senate Committee on Budget for debate on the Senate floor within three weeks. Failing this legislative strategy, Senator Stevens will look for any other appropriate legislation to which he can append this bill.

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Attachment
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